

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Bridgman Public Library</u>	County Berrien
Audit Date June 30, 2004	Opinion Date November 23, 2004	Date Accountant Report Submitted To State: 2/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

Bridgman Public Library

**Financial Report
with Supplemental Information
June 30, 2004**

Bridgman Public Library

Contents

Report Letter	1
Management's Discussion and Analysis	2-5
Basic Financial Statements – Government –wide/Governmental Fund	
Governmental Fund Balance Sheet/Statement of Net Assets	6
Statement of Governmental fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Net Assets	7
Notes to Financial Statements	8-14
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	15



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Independent Auditor's Report

To the Bridgman
Public Library Board
Bridgman, Michigan

We have audited the accompanying basic financial statements of the Bridgman Public Library as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Bridgman Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridgman Public Library as of June 30, 2004 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The required supplemental information, presented on page 15, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 1 to the financial statements, the Bridgman Public Library adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, as of July 1, 2003.

Plante & Moran, PLLC

November 23, 2004

Bridgman Public Library

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplemental Information. The Basic Financial Statements includes information that presents two different views of the Bridgman Public Library:

- The first column of the financial statements includes information on the Bridgman Public Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Bridgman Public Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The government-wide financial statement columns provide both long-term and short-term information about Bridgman Public Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Bridgman Public Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Basic Financial Statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Required Supplemental Information section follows the Basic Financial Statements and further explains and supports the information in the financial statements.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

Since this is the first year the Bridgman Public Library is implementing GASB 34, a comparison with the previous year's financial information is not possible. Future reports will contain comparative information.

	<u>June 30, 2004</u>
Assets	
Current assets	\$ 374,984
Capital assets	<u>1,705,572</u>
Total assets	2,080,556
Liabilities	
Current liabilities	190,838
Compensated absences	<u>1,252</u>
Total liabilities	192,090
Net Assets	
Investment in general capital assets	1,705,572
Restricted for future endowment	7,500
Unrestricted	<u>175,394</u>
Total net assets	<u>\$ 1,888,466</u>

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Bridgman Public Library as a Whole

- Bridgman Public Library's net assets increased by \$5,754 this year. The primary reason for this increase is: an addition to existing library, resulting in an increase in our capital assets of \$1,705,572 and an increase in total assets of \$733,488.
- Bridgman Public Library's primary sources of revenue are from: property taxes, which represents 45% of total revenue; a contract with Lake Charter Township, which represents 18% of total revenue; and from Library fines (including penal fines) which represents 17% of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs.
- Personnel expenses are a significant cost to Bridgman Public Library, representing 38% of total expenditures. This year expenses for salaries were increased by \$12,606, due to an increase in staffing, and an increase in hours for some staff, as well as increases in hourly wages.
- Total expenditures overall were up due to the addition and renovation of the Bridgman Public Library. This expense of \$970,428 represents 81% of the total expenditures. Other significant expenses include: personnel (as noted above); insurance, which saw an increase of 29%; and public utilities which increased 62% (due to the increase in library size).

Library Budgetary Highlights

Over the course of the year the Library Board reviewed the budget to take into account events that occurred during the year.

Revenue

The increase in Library penal fines was nearly 24%, and came as a result of an increase in Berrien County penal fine collections. An increase in copies and fax revenue was 33%. An increase in donations was an additional 154%. This increase in donations is directly related to the Library addition and renovation. Additionally, the Library increased its interest revenue by 104%. The interest was budgeted for the Library addition and renovation. Overall, revenues fell short of the budgeted amount by 7% for the fiscal year.

Expenditures

An increase in computer related expenses is due to additional services to install wiring for the new addition of the Library. The Library also noted a significant increase in insurance expenses (186%) and public utilities (50%) due to the addition of 5,000 square feet. Overall, expenses were under budgeted amounts and significant amendments were made to the budget throughout the year. Contractual expenses for Internet Service will be reduced significantly due to a change in provider and services for the budget year 2004/2005.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of the fiscal year, Bridgman Public Library had \$2.48 million invested in land, building, furnishings and equipment, books and materials. During the fiscal year Bridgman Public Library added a new circulation and cataloging system called VERSO, at a cost of \$5,000, which allows the Library greater control and will also allow patrons access to their records from home. The Library added books and materials at a cost of \$26,407. During this fiscal year, the Library added 4 new staff computers, 1 new server and 4 new flat screen monitors for a cost of \$6,947. There were maintenance expenses related to the addition and renovation. In particular was the repair to the existing roof, which was found to have rotten plywood. This was repaired and replaced for a cost of \$2,038. Additionally, repair to the Kal Wall skylight was done by Wood's Roofing, who was on site for the addition. Caulking and sealing was performed for a cost of \$4,187.

Bridgman Public Library received many donations during the year. A stock certificate was cashed for a value of \$5,036.92. A donation was given specifically for landscaping needs, totaling \$10,000. Also donations were given specifically for a display case that would be renovated, of \$1,500.

Bridgman Public Library's debt rating is excellent. No debt was issued during this fiscal year.

Future Operating Plans

The Library Board is always evaluating the budget. Of ongoing concern is the additional cost of operations for the addition to the existing Library.

The Library has a solid relationship with Lake Charter Township, and a current contract that pays the Library 1/10 of 1 mil annually. This doesn't expire until December, 2007.

Additionally, the millage for the City of Bridgman is in good standing. The Library currently has a millage voted in perpetuity, and a five year millage which is due to expire in November, 2007.

Future needs for the Library include furnishings for the adult and children areas, computers for patrons, and materials (such as books, periodicals, audio and video cassettes).

Bridgman Public Library

Balance Sheet/Statement of Net Assets June 30, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 353,894	\$ -	\$ 353,894
Due from other governmental units	21,090	-	21,090
Capital assets (Note 5)	-	1,705,572	1,705,572
Total assets	\$ 374,984	\$ 1,705,572	2,080,556
Liabilities			
Accounts payable and other liabilities	\$ 190,838	\$ -	190,838
Long term liabilities:			
Accumulated employee benefits	-	1,252	1,252
Total liabilities	190,838	1,252	192,090
Fund Balance/Net Assets			
Fund balance:			
Undesignated	184,146	(184,146)	-
Total liabilities and fund balances	\$ 374,984	\$ (182,894)	192,090
Net assets:			
Invested in capital assets - Net of debt		\$ 1,705,572	1,705,572
Restricted for future endowment		7,500	7,500
Unrestricted		175,394	175,394
Total net assets		\$ 1,888,466	\$ 1,888,466

Bridgman Public Library

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Net Assets Year Ended June 30, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
State Sources	\$ 4,976	\$ -	\$ 4,976
Investment income	26,159	-	26,159
Property tax	159,125	-	159,125
Penal fines	59,170	-	59,170
Lake Township Contract	63,267	-	63,267
Donations	27,143	-	27,143
Other	<u>12,396</u>	<u>-</u>	<u>12,396</u>
Total revenue	352,236	-	352,236
Expenditures			
Personnel	129,210	1,252	130,462
Supplies	10,512	-	10,512
Professional services and dues	10,315	-	10,315
Community promotion	6,753	-	6,753
Insurance and bonds	14,818	-	14,818
Public utilities	14,776	-	14,776
Repairs and maintenance	6,842	-	6,842
Audiovisual, books and periodicals	26,407	(25,955)	452
Capital expenditures	981,508	(981,508)	0
Depreciation	-	143,260	143,260
Miscellaneous	<u>8,291</u>	<u>-</u>	<u>8,291</u>
Total expenditures	<u>1,209,433</u>	<u>(862,951)</u>	<u>346,482</u>
Excess of Revenue Over (Under) Expenditures	(857,197)	862,951	5,754
Fund Balance/Net Assets - July 1, 2003	<u>1,041,343</u>	<u>841,369</u>	<u>1,882,712</u>
Fund Balance/Net Assets - June 30, 2004	<u>\$ 184,146</u>	<u>\$ 1,704,320</u>	<u>\$ 1,888,466</u>

Bridgman Public Library

Notes to Financial Statements June 30, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The Bridgman Public Library (the "Library") is located in the City of Bridgman, Michigan and is governed by an appointed board. The Library is primarily funded through a tax levy, fines and fees and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Effective July 1, 2003, the Bridgman Public Library implemented the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- The financial statements have been prepared using full accrual accounting for all of the Library's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, are recorded only when payment is due.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2003 ad valorem tax is levied and collectible on July 1, 2003 and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Library District totaled \$92.5 million, on which ad valorem taxes levied consisted of 1.748 mills for operating purposes. This resulted in tax revenues of \$159,125 for operating purposes which are recognized in the General Fund.

Bridgman Public Library

Notes to Financial Statements June 30, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	10 years
Library books - reference	10 years
Library books - hard cover	5 years
Library books - soft cover	3 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 184,146
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	1,705,572
Compensated absences are included as a liability	(1,252)
Total Net Assets - Full Accrual Basis	<u>\$1,888,466</u>

Bridgman Public Library

Notes to Financial Statements June 30, 2004

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis	\$ (857,197)
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:	
Library books, material, and equipment	1,007,463
Depreciation	(143,260)
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund financial statements	(1,252)
Change in Net Assets of Governmental Activities - Full Accrual Basis	\$ 5,754

Note 3 - Budget Information

The annual budget is prepared by the budget committee and adopted by the Library Board in July of each year. Subsequent amendments are made in a legally permissible manner and approved by the Library Board periodically throughout the year. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Bridgman Public Library

Notes to Financial Statements June 30, 2004

Note 3 - Budget Information (Continued)

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Personnel	\$ 126,000	\$ 129,210
Insurance and bonds	5,000	14,818
Public utilities	12,000	14,776
Miscellaneous	6,914	8,291

Note 4 - Deposits and Investments

The Library's cash and cash equivalents at June 30, 2004 consist of the following:

Bank deposits	\$ 353,894
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The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$357,139. Of that amount, approximately \$217,655 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution; only those with an acceptable estimated risk level are used as depositories.

Bridgman Public Library

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

Governmental Activities	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 23,750	\$ -	\$ -	\$ 23,750
Construction in progress	178,043	930,256	-	1,108,299
Subtotal	201,793	930,256	-	1,132,049
Capital assets being depreciated:				
Building	476,402	-	-	476,402
Furniture and equipment	136,514	51,252	(5,047)	182,719
Library books, periodicals, and videos	667,228	25,955	-	693,183
Subtotal	1,280,144	77,207	(5,047)	1,352,304
Less accumulated depreciation	(640,568)	(143,260)	(5,047)	(778,781)
Net capital assets being depreciated	639,576	(66,053)	-	573,523
Net capital assets	\$ 841,369	\$ 864,203	\$ -	\$ 1,705,572

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provide to employees. The Library has purchased commercial insurance for general liability, workers' compensation and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplemental Information

Bridgman Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State Sources	\$ 7,500	\$ 45,000	\$ 4,976	\$ (40,024)
Investment income	-	12,400	26,159	13,759
Property tax	163,300	162,033	159,125	(2,908)
Penal fines	50,000	47,900	59,170	11,270
Lake Township Contract	64,211	62,322	63,267	945
Donations	2,000	2,000	27,143	25,143
Other	<u>7,400</u>	<u>47,010</u>	<u>12,396</u>	<u>(34,614)</u>
Total revenue	<u>294,411</u>	<u>378,665</u>	<u>352,236</u>	<u>(26,429)</u>
Expenditures				
Personnel	126,300	126,000	129,210	(3,210)
Supplies	-	13,000	10,512	2,488
Professional services and dues	8,000	10,000	10,315	(315)
Community promotion	8,500	8,800	6,753	2,047
Insurance and bonds	11,000	5,000	14,818	(9,818)
Public utilities	18,000	12,000	14,776	(2,776)
Repairs and maintenance	13,500	10,000	6,842	3,158
Audiovisual, books and periodicals	60,000	50,000	26,407	23,593
Capital expenditures	41,111	1,072,572	981,508	91,064
Miscellaneous	<u>8,000</u>	<u>6,914</u>	<u>8,291</u>	<u>(1,377)</u>
Total expenditures	<u>294,411</u>	<u>1,314,286</u>	<u>1,209,433</u>	<u>104,853</u>
Excess of Revenue Over (Under) Expenditures	-	(935,621)	(857,197)	78,424
Fund Balance - July 1, 2003	<u>1,041,343</u>	<u>1,041,343</u>	<u>1,041,343</u>	-
Fund Balance - June 30, 2004	<u>\$ 1,041,343</u>	<u>\$ 105,722</u>	<u>\$ 184,146</u>	<u>\$ 78,424</u>



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To the Board of Directors
Bridgman Public Library
Bridgman, Michigan 49106

In planning and performing our audit of the financial statements of the Bridgman Public Library for the year ended June 30, 2004, we considered the Library's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

SEGREGATION OF DUTIES

Control over cash receipts is limited because of insufficient segregation of duties due to limited personnel. Management feels adequate segregation of duties is not practical because hiring additional personnel is not warranted from a cost-benefit standpoint.

ACCOUNTING FOR DONATIONS

Throughout the course of the audit and through discussions with management, we noted that non-cash donations are not being recorded on the general ledger. Such donations should be recorded as revenue at their fair market value and offset by a related expenditure. Often times these donations are in the form of fixed assets which should be capitalized and depreciated over their estimated useful life. As a reminder, these donations should also be considered when preparing and/or amending the budget.

PROPER DOCUMENTATION

During the audit we noted that a significant disbursement had been made that lacked supporting documentation. We suggest that the library make payments based on invoice amounts only, not on monthly statements or other documents. For significant expenditures where supporting documentation is not available, we suggest that the board approve the disbursement and the approval be noted in the board minutes. Furthermore, amounts paid to contractors should be supported by a contract which outlines the work to be performed and the payment terms.

LIBRARY POLICIES

We suggest the Library review its vacation policy to address how unused vacation time is to be treated at the end of the fiscal year (i.e. it is lost, full amount is rolled over, limited amount is rolled over). We also suggest the policy be revised to address how unused vacation time is to be treated upon an employee's termination.

FIXED ASSETS & BOOK INVENTORY

The library staff compiled a listing of both fixed asset and books/materials (CD's, cassettes, etc.) inventories used for GASB 34 reporting purposes. We suggest that library staff devise a plan for maintaining these listings (i.e. tracking disposals and additions) going forward to ensure that valid data is available with limited future efforts. It is important to remember that even donated assets should be added to the listing. We are happy to discuss ideas with you.

ENDOWMENT

We understand that an individual in the community would like to establish an endowment with the Library for its benefit. This can be done by the Library establishing a separate bank and/or investment account to administer the funds in accordance with the donor's wishes. We would be happy to discuss this issue further if you have additional questions.

We thank the Library's staff for their preparation and assistance during this year's audit. We greatly appreciate the courtesy and cooperation extended to us by you and the members of your organization.

This report is intended solely for the information and use of the Board of Directors and management of Bridgman Public Library. We would be happy to discuss this letter at your convenience.

Plante & Moran, PLLC

November 24, 2004